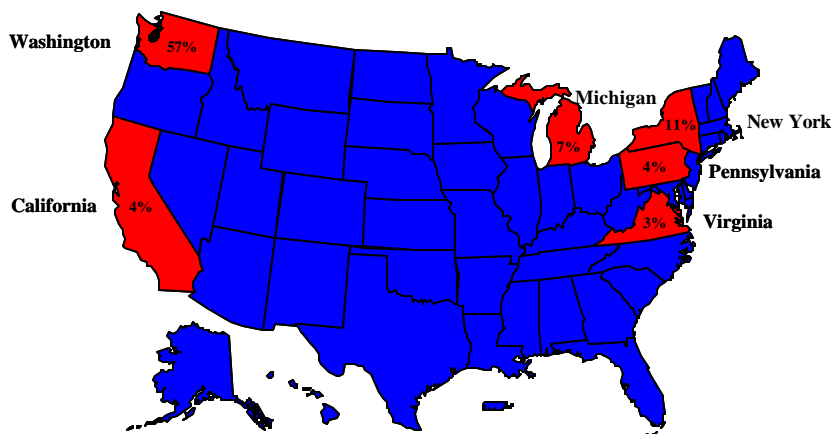


Apple Update

U.S. PRODUCTION

Apple production in the United States during the marketing year (MY) 2005/06 is expected to decrease from the previous year to 4.3 million tons, down 9 percent from 4.7 million tons. The decline is due mostly to an 11-percent decline in Washington apple production (57 percent of total U.S. production) which more than offsets modest increases in states such as California and Pennsylvania. The decline in Washington apple production mainly reflects smaller fruit size due to a colder than usual spring and a very warm August, according to the National Agricultural Statistics Service (NASS). For more information go to <http://usda.mannlib.cornell.edu> and select the October 12, 2005 Crop Production report.

Six States Account for Most Apples Produced in the United States (2005)



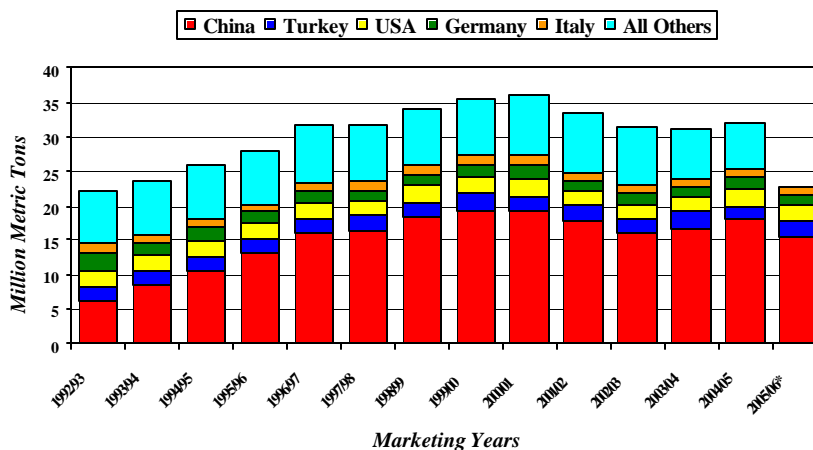
Source: USDA National Agricultural Statistics Service

The National Agricultural Statistics Service (NASS) will release the Non-citrus Fruits and Nuts Preliminary Summary on Tuesday, January 24, 2006, which will provide utilized production and price figures for 2005.

CONSUMPTION

Apple consumption in the United States is expected to be off around 10 percent. Consumers are having more choices than ever before. Imports of tropical fruit from Central and South America such as mango and star fruit are competing for the consumer dollar. Globally, consumption continues to be stagnant or declining. Overall fresh fruit consumption in many developed countries is increasing with improved availability and choice across the fruit category. The apple, although included in the “Five-a-day” program in a number of these countries, is a maturing segment of the fruit market. New apple varieties are helping to offset this disadvantage, and the U.S. industry has proven very proactive in this regard.

World Fresh Apple Consumption Expected To Continue Decline; China Still Largest Apple Consumer



Source: USDA Agricultural Attaché Reports and the U.S. National Agricultural Statistics Service
* Forecast

TRADE

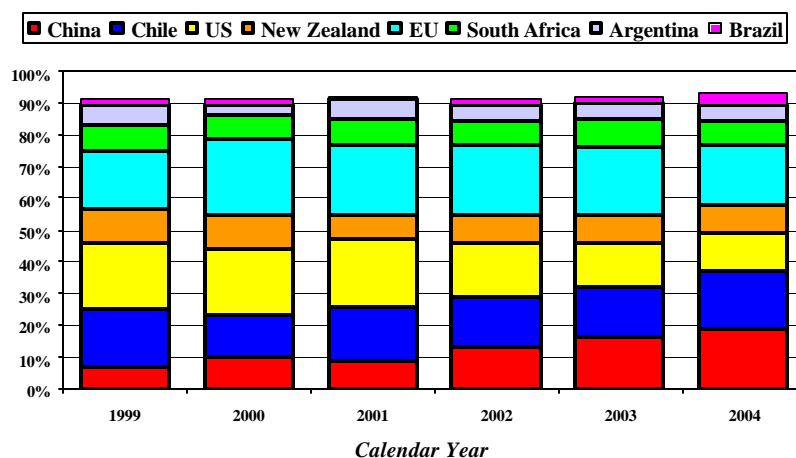
U.S. apple exports make comeback, but global pressure continues

U.S. apple export quantities for MY 2004/05 increased nearly 30 percent with good market recovery in Canada and Mexico. To date, MY 2005/06, apples are experiencing excellent post-harvest movement into the United Kingdom, and shipments to Mexico are recovering somewhat from the continuing problematic duty scheme. Despite issues relating to fruit wax, apples to India are moving well. Domestic apple production is forecast down 9 percent from the larger crop of last year. Exports during MY 2005/06 are expected up about 2 - 3 percent from last year's robust levels. Markets helping to support growth are the United Kingdom, Mexico, and India, assuming no complications in trade from the fruit wax regulation. For more information on apples to India, see a recent release from the Economic Research Service entitled Prospects for India's Emerging Apple Market at <http://www.ers.usda.gov>.

On the downside, a second detection of live codling moth in a Washington State apple shipment to Taiwan was discovered on November 17, 2005 which is still very early in the export season (July-June). In accordance with the work plan, all U.S. apple shipments to Taiwan will be suspended indefinitely if a third live codling moth is detected in a U.S. apple shipment. The U.S. apple industry believes that Taiwan's three-strike import policy is overly restrictive and is not based on science. Taiwan was the third largest market for U.S. apples, after Canada and Mexico in MY 2004/05, valued at approximately \$35 million, representing about 8 percent of total U.S. apple exports.

The United States is slowly losing market share to China. China is very proactive in opening additional markets for Chinese apples. China is actively trying to meet EU fruit standards by improving quality, food safety, apple variety, and packaging.

Global Apple Export Market Share

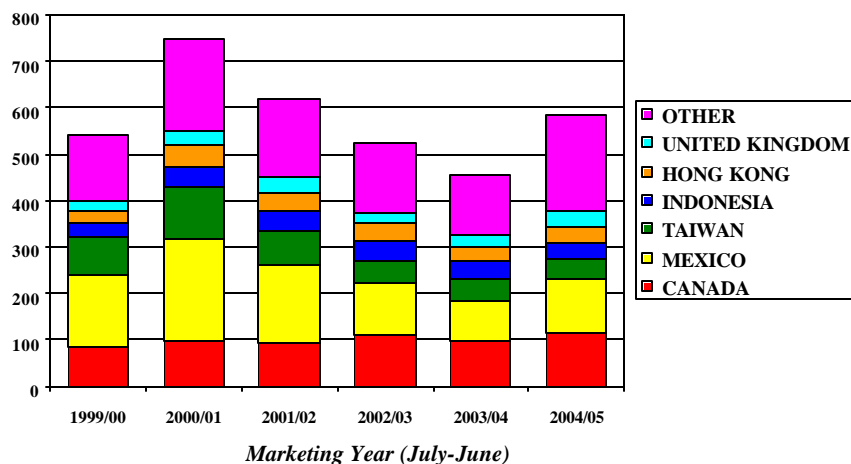


Source: Global Trade Atlas

China recently signed a trade agreement with Mexico that will open the Mexican market to Chinese apples. This will give China a competitive advantage as U.S. apples are charged a duty. On September 29, 2005, Mexico's government announced a new, preliminary anti-dumping duty of 44.57 percent for Red and Golden Delicious varieties on all companies affiliated with Northwest Fruit Exporters (NFE), with the exception of three NFE companies that will face significantly smaller dumping duties. The duties became effective September 30. Red and Golden Delicious apple exporters not affiliated with NFE (e.g., Virginia and Michigan) are still subject to the 46.58 - percent import duty imposed in August 2002. For more information, please see Gain Report #MX 4084 at <http://www.fas.usda.gov/scriptsw/attacherep/default.asp>. In MY 2000/01 (July/June), U.S. apple exports totaled just over \$125 million. Following the imposition of the dumping margin, U.S. exports dropped off sharply, falling to just over \$55 million in MY 2003/04. Shipments in MY 2004/05 were up, totaling \$73 million.

U.S. Apple Exports Showing Turnaround From Declines of Last Few Years (July – June)

Thousand Metric Tons



Source: U.S. Department of Commerce, Bureau of the Census

Canadian apple growers are pressing for safeguard measures on imports of U.S. fresh apples, the bulk of which originate from Washington State. Citing low market prices, the growers are reportedly seeking Canadian government action under the Special Import Measures Act, the legislation that governs Canada's countervailing and anti-dumping laws. Canada applied anti-dumping duties to certain U.S. apples in the late 1980's and again in the mid – 1990's. The Canadian International Trade Tribunal (CITT) rescinded the 1995 anti-dumping finding in February 2000, and since that time shippers have been exporting Red Delicious apples to Canada with no anti-dumping duty. Some of the factors supporting this decision included: a small 1999 crop; price trends; decreasing Red Delicious acreage in the United States; efforts to increase U.S. apple consumption; increasing exports to other countries; growth of sales of other varieties; and quality differentials between Washington and Canadian Red Delicious apples.

A new dumping investigation would consider conditions at the time of similar factors in the 2004 crop marketing season. Compared to 5 years earlier, the 2004 U.S. crop was 5 percent less at 4.7 million metric tons. In addition, all U.S. apple exports were down 4 percent, but exports of apples specifically to Canada were up 35 percent to 113,600 tons. The value of these apples was up 50 percent to \$91 million. Compared to the previous year, apples shipped to Canada were 18 percent larger while values averaged 2 percent lower. During the 2003 season, Canada became the top market for U.S. apples, a shift away from Mexico as the traditional top importer.

(For information on production and trade, contact Heather Velthuis at 202-720-9792. FAS attaché on-line reports on deciduous fruits can be found on the FAS home page at:

<http://www.fas.usda.gov/scripts/attacherep/default.asp>. Specific data on world production, supply, and demand for apples can be located at http://www.fas.usda.gov/psd/complete_tables/HTP-table6-102.htm. Also, visit our apple web page at <http://www.fas.usda.gov/http/horticulture/apple.html>